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SOC 4.01.1 TIME
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Time, Reader's Digest See Canada Proposals Ending Editions There

A WALL STREET JOURNAL *News Roundup*

Time Canada Ltd. and Reader's Digest Association (Canada) Ltd. said they will be forced to cease publishing if proposed government guidelines regarding their ownership and editorial content are adopted.

A spokesman for the Canadian Department of Revenue said the proposed guidelines would require the two magazines to be 75% Canadian-owned and to change their editorial content to make them 60% to 80% "different" from the editions published by their U.S. parent companies.

If they can't meet these proposed guidelines, the magazines are slated to lose their favorable tax status as Canadian magazines by next Jan. 1. This status enables companies advertising in the two magazines to deduct the full cost of such advertising in calculating their federal income tax.

In Toronto, Stephen LaRue, president of Time Canada, a subsidiary of Time Inc., New York, said that "if by 'different', the government means 80% Canadian news every week, I can hear readers' eyelids clicking closed across the country." He added that "we can't publish a magazine that restricted," and "if that in turn means we can't offer tax-deductible advertising, we'll have to close."

In Montreal, E. Paul Zimmerman, president of Reader's Digest (Canada), said the Canadian content rule "would so change the Digest that it wouldn't be the Digest any longer."

Reader's Digest (Canada) is about 67%-owned by Reader's Digest Association Inc., Pleasantville, N.Y., with the balance held by Canadian investors.

Mr. Zimmerman said the amount of Canadian-originated material in the monthly magazine is "about 24% of the total, but he added that "we've been planning to raise this to 30% by the end of this year."

Time Canada has only about 10% of its weekly editorial space devoted to Canadian news.

Mr. Zimmerman said Reader's Digest (Canada) hasn't any "intention" of meeting the proposed 75% Canadian ownership rule. He added that "we couldn't meet" that guideline because "there would be no guarantee that this interest wouldn't fall into foreign hands or the hands of a Canadian publishing conglomerate." He said such a move could also set a "bad precedent" that might be followed by other countries in which the Reader's Digest is published.

Time, however, has said it is willing to go along with the 75% Canadian ownership rule. Mr. LaRue said yesterday that several unidentified parties are "interested" in acquiring a 75% interest in Time Canada.

The federal government's action, by removing the Time and Reader's Digest special tax status for advertisers, is designed to put much of this advertising revenue into the hands of Canadian magazines. The two U.S.-controlled publications had an estimated $16.2 million in ad revenues last year.

Mr. Zimmerman said a survey of national advertisers has shown that the Digest, if it lost its tax status, would lose 64% of its advertising. He said "the cumulative effect of this loss on our magazine publishing and other business would plunge the company as a whole into a serious and probably irreversible loss position by 1977."

And Time Canada has said that if it didn't have its special tax status, the Canadian subsidiary would have shown a $2 million loss in 1974, against a $993,000 profit for 1973.

Meanwhile, Ronalds-Federated Ltd., the company which prints both Time Canada and Reader's Digest (Canada), said if the magazines are forced to cease publication, it would "have a large impact" on Ronalds-Federated's sales and earnings.

James P. Stanley, president of Ronalds-Federated, said in Montreal that "magazine printing represents about 20% of our total printing revenue," and Time and Reader's Digest together represent "about two-thirds" of the company's magazine-printing business.

Ron Basford, Canada's minister of revenue, yesterday declined to spell out just how "different" the Canadian editions would have to be from their parent publications. However, he did say that the editorial content didn't necessarily have to be 60% to 80% Canadian. He added that each case would be judged on its own merits.